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25X1

20 August 1953

Copy No. 67

**CURRENT INTELLIGENCE BULLETIN**

DOCUMENT NO. 51  
NO CHANGE IN CLASS. X  
DECLASSIFIED  
CLASS. CHANGED TO: TS S 2001  
NEXT REVIEW DATE:  
AUTH: HR 70-2  
DATE 12-21-79 REVIEWER:

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

State Dept. review completed

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Approved For Release 2004/07/08 : CIA-RDP79T00975A001200510001-1

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SOUTHEAST ASIA

2. Li Mi indicates intention to retain headquarters in Burma:

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The Chinese Nationalist foreign minister told an officer of the American embassy at Taipei on 18 August that General Li Mi wants to retain his Mong Hsat headquarters in northeast Burma even after evacuation. To the foreign minister's objections, Li Mi was said to have retorted that the "Americans had said nothing about the evacuation of Mong Hsat."

The embassy observes that any evacuation that leaves Nationalist headquarters intact would be an empty gesture by the Chinese government.

Comment: This report supports many other indications that Taipei is insincere in its stated policy of cooperation in the evacuation effort.

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NEAR EAST - AFRICA

3. Comment on the Iranian situation:

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[REDACTED] The unexpectedly strong upsurge of popular and military reaction to Prime Minister Mossadeq's government has enabled the shah's supporters to take over control of Tehran and apparently of important parts of the country, including strategic Azerbaijan. Consolidation of power in Tehran, stronghold of Tudeh and Mossadeq supporters, makes it unlikely that the royalists will be seriously threatened by any opposition originating in the provinces. Indicative of the trend is the pledge of loyalty to the shah made by a leader of such an important tribal group as the Bakhtiari.

The Tudeh has been relatively inactive during the past day; however, it probably is the principal organized threat to Zahedi's government. With a royalist government in control, the Tudeh will undoubtedly be suppressed but will nevertheless remain the best organized, and potentially most troublesome opposition.

The success of a new government will depend to a great extent on its ability to improve rapidly Iran's financial and economic position. A conservative government probably could not reverse the oil nationalization because of popular sentiment. Likewise, a new government probably could not immediately attempt to reach a settlement with the British on terms more favorable than Mossadeq has offered.

4. French government may depose sultan of Morocco before 21 August:

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[REDACTED] High French Foreign Ministry officials have stated that apparently the only way to restore stability in Morocco is to depose the sultan before the 21 August religious festival.

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The Foreign Ministry officials informed the American embassy that the situation was considered "out of hand." Both Resident General Guillaume and a Foreign Ministry investigator who returned to Paris on 17 August believe that El Glaoui's movement is turning out to be greater than expected and fear the Berbers in the French Union forces may revolt.

Comment: This is the first indication from Paris that the Foreign Ministry, which has heretofore opposed ousting the sultan, may now support the Residency General on this issue.

Contrary to General Guillaume's report, El Glaoui has almost no Berber support and depends largely on local French backing. Ouster of the sultan would probably provoke additional widespread violence.

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